

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7404

BILL NUMBER: SB 289

DATE PREPARED: Apr 6, 1999

BILL AMENDED: Apr 5, 1999

SUBJECT: Health Insurance Claims Downcoding; Other Insurance Matters.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State and Local

Summary of Legislation: (Amended) *Downcoding:* This bill provides that for purposes of analyzing health care service claims, to recode means to change a code used on a claim for covered services to a different classification code. It also requires the administrator or insurer to notify the provider and insured that the insurer or administrator has recoded the claim and to provide certain additional specified information.

Dependent Child's Insurance Coverage: This bill also adds a dependent child's incapability to self-sustain employment because of mental illness to the reasons that continue hospital and medical coverage to a child under certain insurance policies.

Patient Compensation Fund Surcharge: The bill also provides that the Patient Compensation Fund surcharge for providers other than physicians and hospitals may not be greater than the actuarial risk posed to the fund by those providers. It also changes the medical malpractice policy limit from \$100,000 to \$250,000 for purposes of settlement agreements.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) *Patient Compensation Fund Surcharge:* Several code provisions regarding the Patients Compensation Fund were raised from \$100,000 to \$250,000 in the 1998 General Assembly. This bill changes IC 34-18-15-3 to be consistent with those changed last year. Current statute provides for the calculation of the PCF surcharge based on the assumption that the Fund will pay only when the malpractice damages exceed \$250,000. However, IC 34-18-15-3, in its current form, allows a plaintiff to seek payment from the Fund if their malpractice settlement exceeds \$100,000. Passage of the provisions in this bill will make the PCF payout provisions consistent with the provisions regarding the Fund's surcharge calculation.

Explanation of State Revenues: (Revised) *Dependent Child's Insurance Coverage:* This bill requires

ICHIA to continue to provide insurance coverage to a dependent unmarried child even if the child has reached the age of 19 and the child is incapable of self-sustaining employment by reason of mental illness and while the child is chiefly dependent for support and maintenance upon the person in whose name the contract is issued. The impact on the ICHIA program is expected to be nominal, if any.

The ICHIA program is funded from client premiums, as well as assessments on companies selling health insurance in Indiana. Companies that pay assessments are subsequently able to take a credit against premium taxes, gross income taxes, adjusted gross income taxes, supplemental corporate net income taxes, or any combination of these, equal to the amount of the credit. Although the possibility exists for some increased costs to the ICHIA program, and thus decreased revenues to the state, the impact is expected to be nominal.

Explanation of Local Expenditures: (Revised) *Dependent Child's Insurance Coverage*: The provisions of this bill could affect costs faced by insurance companies that provide group coverage for the employees of local governments and school corporations. Increased premiums arising from these provisions, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government and school corporations would also differ by local unit and the particular benefit plan currently provided to employees. The impact is likely to be nominal.

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association (ICHIA); Department of Insurance

Local Agencies Affected: Local Governments and School Corporations

Information Sources: Jeff Hannah, Anthem, 488-6225; Liz Carroll, Department of Insurance, 232-2406.